

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND
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SEPTEMBER 24, 2013

Develop a Blueprint for Pay-for-Success Initiatives

Each year the County of Los Angeles (County) spends billions of dollars addressing health, human services, and public safety issues. Too often this money is spent on programs that remediate social problems rather than prevent them. While remediation is critical to serving the needs of constituents, a lack of focus on prevention leads to the need for costly remedial services in the future. In addition, performance measurement tends to focus on tracking the number of clients served and the services provided rather than the outcomes achieved.

“Pay-for-Success” is a concept whereby government funding is given only to those interventions that have clearly demonstrated their impact through rigorous outcome-based performance measures. Interventions must be preventative with performance measurement clearly demonstrating positive outcomes to the targeted clients and savings from a reduced need for future services. Under this model, the risk of an intervention is not held by the taxpayers. However, if the intervention is successful then investors may receive a modest return on their investment. In addition, the government entity commits to sustained funding of the intervention following its demonstrated success. Through this model, private sector innovation can be leveraged to improve outcomes for constituents while simultaneously realizing savings to the public.

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Since the first Pay-for-Success initiative in the United Kingdom, numerous Pay-for-Success projects have been initiated across the United States. However, most Pay-for-Success initiatives are still in the planning or early implementation stages, and there is still much to be learned. In addition, there are just as many variations of Pay-for-Success models as there are projects in existence. It behooves the County to learn from these projects, identify best practices, and develop a blueprint model customized to meet the County's needs.

The Pay-for-Success concept can be applied to initiatives across a variety of policy areas including housing and homelessness, social services, and public safety. With the implementation of Public Safety Realignment, the County's responsibility has expanded to include oversight of a new population of lower-level, non-violent offenders and parolees. Many of these inmates are at risk of becoming homeless upon release and have had a history of cycling through the public safety system. The County has a unique opportunity to leverage a Pay-for-Success structure to provide innovative services to this population in order to reduce homelessness and recidivism, as well as public spending. The Chief Executive Officer's August 20, 2013 report indicates that the Just In Reach program satisfies the readiness assessment criteria for a viable Pay-for-Success initiative. However, a mechanism to implement this, or other eligible program initiatives, within the County has not been identified.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS: Direct the Chief Executive Officer to:

1. Convene an advisory group comprised of external Pay-for-Success financing experts, the Auditor-Controller, County Counsel, the Director of the Internal Services Department and the Treasurer and Tax Collector. The sole purpose of this advisory group will be to develop the blueprint, including contractual and financing guidelines, that enables the Board to launch Pay-for-Success initiatives that meet the readiness assessment criteria

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described in the Chief Executive Officer's August 20, 2013 memo. County Counsel should provide guidance to ensure that participation by external experts is compliant with County procurement policies and procedures.

- a. Only external subject matter experts who volunteer their time and expertise shall be considered for the advisory group and participation shall preclude their ability to compete for the County's initial Pay-for-Success initiative.
2. Prioritize launching an initiative that targets soon-to-be-released inmates who are at risk of becoming homeless once released and returning to jail and/or prison.
3. Report back within 90 days with a written blueprint report that includes:
 - a. Criteria for selection of interventions that are operationally and programmatically suitable for a Pay-for-Success initiative;
 - b. Options and recommendations for securing and contracting with evaluators and intermediaries to facilitate implementation of the Pay-for-Success concept.
 - c. Guidelines for the development of a financing model, including a payment structure that is based on the demonstration of outcomes achieved and addresses the process for County-wide and departmental budget augmentations; and
 - d. Recommendations for changes to the County's fiscal, procurement, and other policies and procedures that would be required for implementation.

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